

Annual Report

INDIANA TELEPHONE RELAY
ACCESS CORPORATION FOR THE
HEARING AND SPEECH IMPAIRED

For the fiscal year ended September 30, 2005

InTRAC's 2005 Annual Report

The Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired (“InTRAC”) continued to provide quality and efficient service in its thirteenth year of telephone relay services (“TRS”) for hearing- and speech-impaired callers.

Description of Services. Beginning October 1, 1992, InTRAC began providing TRS to Indiana citizens through Sprint, its relay provider. TRS allows an individual who has a hearing or speech impairment to communicate over the telephone with a hearing individual who uses a standard telephone. Sprint provides this service through the operation of a Network Call Distribution system with 14 TRS centers nationwide. Sprint currently provides relay service to 32 states, the Commonwealth of Puerto Rico, New Zealand, and the Federal government. Individuals in Indiana with hearing or speech impairments can call these centers using a toll-free number (800-743-3333) or by dialing the three-digit number, 711. Persons with standard phones can also initiate calls to the center.

At the centers, specially trained relay operators receive the incoming calls from either a standard phone user or a deaf, hard of hearing, or speech impaired relay user. The operator then dials the desired number and connects the two telephone users. The operator reads aloud the text telephone message to the standard telephone caller and transmits that caller's oral responses back to the non-standard telephone user through the text telephone, computer, or video phone.

A variety of relay calls are provided to meet the variety of special needs in the deaf, hard of hearing, or speech impaired community. Those relay services include:

TTY – If a person is deaf and does not voice, they use a text telephone.

VCO – If a person is hard-of-hearing but is able to voice, they may use Voice Carry Over service.

CAPTEL (CAPTIONED TELEPHONE) – If a person is hard-of-hearing but is able to voice, they may use this Enhanced VCO.

HCO – If a person can hear, but is not able to voice, they may use Hearing Carry Over.

SPEECH TO SPEECH – If a person can hear but has difficulties with unclear speech.

SPANISH TO SPANISH – If a person is deaf and needs their conversation understood in Spanish.

VIDEO RELAY SERVICE (VRS) – If a person is deaf and using ASL, the interpreter/operator will appear on the screen of the computer or television and will place the call in the same way as a standard relay call.

INTERNET RELAY (SRO) – If a person is deaf they use a computer to see what is typed by the operator (while the standard phone user speaks) and can see what the relay operator is typing, at the same time.

VOICE USER – If a person uses a standard phone and wishes to speak with others who use special equipment to communicate.

Internet Relay (IP) and Video Relay Service (VRS) are extremely popular within the relay user community. In Indiana, IP Relay is accessed by going online and connecting to www.sprintip.com. In the same way as with the TTY, the user types the conversation on their computer which the relay operator voices to the standard phone user. Whatever the standard phone users says, is then typed by the operator for the originating caller to read on their computer screen.

The VRS provides the deaf community an opportunity to use their primary form of communication – sign language. The users must have high speed internet connection ability and either a webcam or a videophone. The users go online to www.invrs.com and see a live interpreter at the relay center on their screen. The relay users then sign their conversations to the interpreter who voices the call for them. The standard phone users' responses are then signed back to the deaf user. This is real time and a much more natural form of conversation. Currently, IP Relay and VRS are funded by the National Exchange Carrier's Association (NECA) and not paid for by InTRAC.

The operators who staff the TRS centers are well trained. To be employed, each must pass an examination that covers spelling, typing, dictation, TRS procedures, certain aspects of American Sign Language, deaf culture, ethics, etiquette, and a confidentiality statement.

InTRAC's TRS centers process several types of calls, including: local calls, intrastate long distance calls, interstate long distance, and international calls that originate in Indiana. Users of the centers can choose the carrier they wish to carry their long distance calls to the same extent those not using the centers to place calls may choose their long distance carriers.

No special charge for TRS is imposed on those who use the TRS centers. Neither the party originating nor the party receiving a call processed by the centers pays a surcharge for calls originating and terminating within the same toll-free, local calling area -- even though the call must pass through the TRS centers located throughout the country. Similarly, those who use the centers to make long distance calls are charged rates no greater than the rates paid for functionally equivalent voice communication services.

Because InTRAC's relay services are processed through a Network Call Distribution system, and have the ability to automatically process calls through several TRS centers, it is unlikely that service will ever be disrupted by a cable cut, adverse weather or other event. Each TRS center provides TRS to Indiana callers seven days a week, 52 weeks a year, and each is equipped with state-of-the-art telecommunications equipment and software. Each center can receive messages from text telephones that use Baudat and ASCII codes and can automatically identify the type of incoming signals.

Developments During the Year. During InTRAC's 2005 fiscal year, the following activities occurred:

Captioned Telephone – InTRAC has contracted with an individual to provide community outreach for the CapTel unit and the captioning service through relay. As the outreach has increased, so have the number of CapTel units being provided to citizens. This person is providing presentations to a variety of clubs, churches, nursing homes, disability expos, and hospitals.

In using a CapTel phone, the users place a call the same way they would using a traditional phone by dialing the number directly. The CapTel phone automatically connects to the captioning service. Behind the scenes, a specially trained operator transcribes everything the other party says into written text (captions) using the very latest in voice-recognition technology. The captions appear on the display window built into the CapTel phone. Relay users have a much more natural flow to the conversation and no longer need to take turns or slow down the speed of speaking due to the operators' typing speed. This type of Enhanced VCO is much faster than traditional VCO, because the operator no longer types the conversation.

Rate Case. InTRAC filed a petition with the Indiana Utility Regulatory Commission, for a reduction in the monthly surcharge. The petition was approved and the current surcharge is \$0.03 per access line effective April, 2005.

Contract Renewal - The Board of Directors of InTRAC voted to extend the current contract with Sprint to provide telephone relay service effective November 1, 2005 through October 31, 2007.

Equipment Loaner Program. InTRAC initiated an equipment loaner program on March 6, 1997 for hearing- and speech-impaired persons unable to afford a TTY. Through the end of this fiscal year, September 30, 2005, we have lent a total of 2,750 pieces of equipment. InTRAC repairs and replaces the units as necessary. As technology improves, InTRAC is committed to providing the most updated equipment to individuals who have a financial need in order that they too are able to utilize the relay service.

Currently, InTRAC lends a Superprint 4425 TTY; a multipurpose Uniphone 1140 for VCO/HCO/TTY users; a Dialogue VCO for either amplification or VCO users; D-Link DVC 1000 video phone for VRS calls; and CapTel units for Enhanced VCO captioning relay calls. Citizens of Indiana earning below the median income can apply to receive equipment on loan from InTRAC.

Service Volume. In the twelve months ending September 30, 2005, InTRAC received 826,604 calls to the relay center and placed 1,902,097 calls. The number of inbound and outbound calls through the Relay Center has decreased from previous years. This decrease is due to new technology, as users continue to communicate heavily through IP Relay, VRS, e-mail, and pagers. However, traditional TRS use continues to surpass all other forms of relay service.

The Chart below shows the number of calls processed by InTRAC's TRS center and the average length of those calls in minutes during the fiscal year ending September 30, 2005.

Month of Operation	Outbound Calls	Inbound Calls	Average Call Length
October 2004	96,860	73,314	4.33
November 2004	94,941	73,197	4.28
December 2004	96,535	73,945	4.36
January 2005	95,984	72,839	4.55
February 2005	83,421	63,517	4.53
March 2005	93,017	69,943	4.57
April 2005	87,794	66,166	4.46
May 2005	87,101	65,601	4.39
June 2005	87,239	65,577	4.36
July 2005	88,481	67,138	4.31
August 2005	96,157	72,506	4.22
September 2005	84,567	62,861	4.27
TOTALS	1,902,097	826,604	

Complaint Filing. On July 1, 2005, InTRAC filed its Annual Report of Complaints with the FCC. Users of InTRAC's relay centers have been extremely pleased with the overall quality of the service. The 1,902,097 calls processed by the center during June 2004 – May 2005 resulted in 52 complaints – less than one hundredth of one percent (0.001%).

Service Levels. The FCC has established quite stringent operational, technical and functional standards for telecommunications relay services. For example, 85% of the calls received in the relay center must be answered in ten seconds or less. During 2005, InTRAC's numbers exceeded the FCC performance standard, with 95% of the calls answered in ten seconds or less. The average answer time for all calls was 1.93 seconds. A second important FCC requirement for relay service providers is that the grade of service must be a minimum of PO1. This means that if one hundred people simultaneously call the relay center during the busiest period of the day, only one call would be blocked due to the lack of available telephone equipment. InTRAC's results have continuously exceeded this requirement.

Promotional Activities. An important part of InTRAC's mission is to ensure that Indiana citizens are aware of the relay services that InTRAC provides. Toward that end, InTRAC has engaged in a number of promotional activities including:

- **Radio Advertisements.** InTRAC continued to advertise on Network Indiana which covers 65 radio stations within Indiana. These advertisements are directed toward businesses within Indiana and encourage them to “not hang up” on relay calls. Relay customers found that many businesses misunderstood the calls and would hang up. Relay users can utilize www.relayindiana.com to obtain a list of businesses who have signed up to receive relay calls. Additionally, CapTel ads are playing that target the children of aging parents who have lost their hearing. These ads explain how the captioned telephone can connect them with their parents again.
- **Television Advertisements.** InTRAC continued to advertise on SkyTrak13 Weather Channel in 2005. This ad has captioning for the *hearing*. The commercial encourages viewers to “not hang up” on relay calls. In addition, a scrolling banner runs daily informing viewers to learn more about the telephone relay service on InTRAC's website.
- **Print Advertisement.** InTRAC hired a local advertising firm to specifically target one Indiana community that traditionally records high usage numbers through Relay Indiana. InTRAC targeted South Bend, Indiana and worked with the Chamber of Commerce to notify businesses in that area about Relay Indiana and explained how their company could join InTRAC's Relay Business Partners.

InTRAC will continue to focus on individual towns to educate the community.

- **Town Hall Meetings.** At these meetings, InTRAC's relay services are explained to the hearing- and speech-impaired persons, employees of service agencies and businesses that may need to communicate with those who are hearing- or speech-impaired. During the past fiscal year, InTRAC held town hall meetings in the following Indiana communities: Evansville, Richmond, South Bend, Gary, Merrillville, Lawrenceburg, and Terre Haute.
- **Other Informational Meetings.** In addition to town hall meetings, InTRAC has also held a number of meetings at educational institutions, service agencies, and businesses in Indiana. For example, during the last fiscal year, informational meetings were held at Community Agencies for the Deaf, Greater Indianapolis Deaf Club, Hoosier Outdoor Club for the Deaf, and Indiana School for the Deaf.
- **Conferences and Trade Shows.** To make others aware of InTRAC's relay services, InTRAC also participated in a number of conferences and trade shows held throughout Indiana. Over 6,200 persons received Relay Indiana information at various conferences and trade shows during the last fiscal year at the ISD Homecoming, Region Academic Bowl, Deaf National Expo, State

Disability Fair, Indiana School for the Deaf Alumni Association Reunion,

- **Community Liaison** - InTRAC contracted with a member of the Deaf community to travel throughout the state to communicate the role of InTRAC, the telecommunications providers, Federal Communications Commission rules and orders, and the relay service. He then provides feedback to InTRAC about concerns of the Deaf and hard of hearing community regarding Relay Indiana or the Equipment Distribution Program.

Annual Meeting. On December 8, 2005, InTRAC held its annual meeting for the fiscal year ended September 30, 2005. To maintain continuity in its membership, InTRAC's directors are elected to staggered three-year terms. Consequently, only two of the seven director's seats are up for election at each annual meeting. Re-elected to a three-year term were Neil Krevda, Verizon, and Charles Coon, Washington County Rural Telephone.

Board of Directors. Members of the Board are as follows: Mitchell Proctor, TDS Telecom, President; Cindy Taylor, New Paris Telephone, Secretary; Neil Krevda, Verizon, Treasurer; Charles F. Coon, Washington County RTC; Alan I Matsumoto, Sprint Telephone; Duane Hazelbaker, SBC; and Jim Van Manen, Director, Deaf and Hard of Hearing Services, State of Indiana.

Test of Surcharge Collected and Remitted by Members. InTRAC's accounting firm, Kehlenbrink, Lawrence & Pauckner, has been engaged to perform tests of the books and records of the local exchange carriers and cellular providers that are members of InTRAC, to determine whether the members are collecting and remitting properly the surcharge that funds InTRAC's operations. Since the surcharge was enacted, tests have been performed of the books and records of several local exchange carriers and cellular providers. Additional tests were conducted during the last fiscal year. These reviews have revealed that the members are collecting and remitting the surcharge correctly.

Audit of Sprint Billings. Telecommunication relay services are provided in Indiana on behalf of InTRAC under a contract with Sprint Services. InTRAC pays Sprint based upon the number of minutes of relay service that Sprint provides. Under the contract with Sprint, InTRAC has the right to audit and test Sprint's books and records to ensure that InTRAC is billed properly for the services that Sprint provides. As a result, InTRAC employed the accounting firm of Kehlenbrink, Lawrence & Pauckner to perform various tests of Sprint's billing system. These tests revealed no failures in the systems for generating the billing to InTRAC.

Financial Statements. Financial statements prepared by the independent accounting firm of Dunbar, Cook & Shephard meeting the requirements of Ind. Code § 8-1-2.8-21(6)(D) are attached hereto and incorporated herein.



AUDITED FINANCIAL STATEMENTS

September 30, 2005 and 2004

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Indiana Telephone Relay Access Corporation
for the Hearing and Speech Impaired
Indianapolis, Indiana

We have audited the accompanying statements of financial position of **Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired (InTRAC)**, a nonprofit organization, as of September 30, 2005 and 2004, and the related statements of activities and changes in unrestricted net assets and cash flows for the years then ended. These financial statements are the responsibility of InTRAC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired as of September 30, 2005 and 2004, and the changes in its unrestricted net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

November 10, 2005

Dunbar, Cook & Shepard, P.C.

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INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
STATEMENTS OF FINANCIAL POSITION
September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 39,818	\$ 2,128
Investments - money funds	785,330	1,992,917
Estimated accounts receivable	261,050	471,867
Interest receivable	54,742	71,677
Other current assets	<u>6,618</u>	<u>5,599</u>
TOTAL CURRENT ASSETS	1,147,558	2,544,188
PROPERTY AND EQUIPMENT		
Furniture and equipment	44,460	44,460
Less accumulated depreciation	<u>(42,289)</u>	<u>(41,295)</u>
TOTAL PROPERTY AND EQUIPMENT	2,171	3,165
OTHER ASSETS		
Deposits	1,000	1,000
Investments - other	<u>6,741,191</u>	<u>5,639,803</u>
TOTAL OTHER ASSETS	<u>6,742,191</u>	<u>5,640,803</u>
TOTAL ASSETS	<u>\$7,891,920</u>	<u>\$8,188,156</u>
<u>LIABILITIES AND UNRESTRICTED NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 482,717	\$ 749,978
Accrued payroll taxes	<u>2,264</u>	<u>960</u>
TOTAL CURRENT LIABILITIES	484,981	750,938
UNRESTRICTED NET ASSETS	<u>7,406,939</u>	<u>7,437,218</u>
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	<u>\$7,891,920</u>	<u>\$8,188,156</u>

See accompanying notes and auditors' report.

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INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
STATEMENTS OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS
For the Years Ended September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
REVENUES		
Local exchange carriers	\$1,722,512	\$2,292,541
Wireless carriers	<u>1,374,717</u>	<u>1,648,908</u>
TOTAL REVENUES	3,097,229	3,941,449
DIRECT EXPENSES		
Contract relay service	<u>2,862,434</u>	<u>3,133,431</u>
GROSS MARGIN	234,795	808,018
PROGRAM EXPENSES		
TTY equipment	137,711	120,651
TTY promotion	<u>750</u>	<u>3,429</u>
TOTAL PROGRAM EXPENSES	138,461	124,080
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting	26,683	24,240
Advertising	97,630	85,981
Depreciation	994	1,164
Dues and subscriptions	875	1,085
Fringe benefits and other related employee expenses	27,040	23,648
Insurance expense	14,932	12,334
Interpreter fees	478	945
Investment advisory fees	39,519	34,496
Legal	19,474	7,165
Meals	827	781
Meeting expense	2,244	516
Miscellaneous	1,289	861
Office rent	30,905	32,928
Office supplies	8,553	6,944
Public relations	6,007	12,450
Salaries	66,805	55,584
Telephone	8,371	9,704
Travel and entertainment	<u>4,060</u>	<u>3,011</u>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>356,686</u>	<u>313,837</u>
INCOME (LOSS) FROM OPERATIONS	(260,352)	370,101
OTHER INCOME		
Investment income	217,960	70,162
Rental income	<u>12,113</u>	<u>10,892</u>
TOTAL OTHER INCOME	<u>230,073</u>	<u>81,054</u>
CHANGES IN UNRESTRICTED NET ASSETS	(30,279)	451,155
UNRESTRICTED NET ASSETS - BEGINNING	<u>7,437,218</u>	<u>6,986,063</u>
UNRESTRICTED NET ASSETS - ENDING	<u>\$7,406,939</u>	<u>\$7,437,218</u>

INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in unrestricted net assets	\$ (30,279)	\$ 451,155
Adjustments to reconcile changes in unrestricted net assets to net cash from operating activities:		
Depreciation	994	1,164
Loss on investments	26,830	93,339
Amortization of bond premiums	58,658	89,809
Decrease in estimated accounts receivable	210,817	19,528
Increase (decrease) in other current assets	15,916	(10,450)
(Decrease) in accounts payable	(267,261)	(171,009)
Increase (decrease) in accrued expenses	<u>1,304</u>	<u>(75)</u>
NET CASH FROM OPERATING ACTIVITIES	16,979	473,461
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in money market funds	1,207,587	835,243
Purchase of investments	(3,799,710)	(2,734,642)
Proceeds on sale of investments	<u>2,612,834</u>	<u>1,388,521</u>
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>20,711</u>	<u>(510,878)</u>
NET INCREASE (DECREASE) IN CASH	37,690	(37,417)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>2,128</u>	<u>39,545</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 39,818</u>	<u>\$ 2,128</u>

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE - Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired (InTRAC) is an Indiana non-profit corporation established by state statute on February 25, 1991. Its purpose is to provide telephone relay service to hearing and speech-impaired persons throughout the state of Indiana. InTRAC's responsibility is to coordinate the efforts of the 42 Indiana telephone company members to comply with the laws of the Federal Communication Commission (FCC) concerning telephone relay service. In 1997, InTRAC initiated a program that provides text telephone (TTY) devices to persons with financial needs.

METHOD OF ACCOUNTING - InTRAC records revenue and expense using the accrual method of accounting.

CASH AND CASH EQUIVALENTS - For the purposes of the statements of cash flows, InTRAC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

CONCENTRATION OF CREDIT RISK - InTRAC maintains its bank accounts with funds, at times, in excess of limits set and insured by the FDIC. Investments are maintained with other financial institutions with funds, at times, in excess of limits set and insured by the FDIC and SIPC. The Organization has not experienced any losses on such accounts. Management believes the Organization is not exposed to any significant credit risk related to those accounts.

INVESTMENTS - Investments are composed of money market funds, annuities and mutual funds investing in debt and fixed income securities, and individual debt securities. These investments are carried at market value. Bond premiums are being amortized over the life of the bond and charged against interest income.

ESTIMATED ACCOUNTS RECEIVABLE - All accounts receivable are from Local Exchange Carriers (LEC's) or wireless companies and are comprised of charges that are expected to have been collected but not remitted to InTRAC. These receivables are unsecured and totaled \$261,050 and \$471,867 at September 30, 2005 and 2004, respectively. Because these receivables are estimated, it is possible, though not expected, that the estimated amount could change in the near term. Since the surcharge revenues are mandated by the Indiana Utility Regulatory Commission, no allowance for doubtful accounts has been established.

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
NOTES TO FINANCIAL STATEMENTS CONTINUED
September 30, 2005 and 2004**

NOTE A - CONTINUED

PROPERTY AND EQUIPMENT - Property and equipment are recorded at cost. Maintenance and repairs are expensed as incurred. It is the policy of InTRAC to capitalize cost of equipment which exceeds \$500. Depreciation is provided using straight-line and accelerated methods over the estimated useful lives of the assets. Depreciation expense for the years ended September 30, 2005 and 2004 was \$994 and \$1,164, respectively.

BASIS OF PRESENTATION - Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, InTRAC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All net assets of InTRAC are unrestricted. Unrestricted net assets consist of resources available for program and administrative expenses of InTRAC which have not been restricted by an outside party.

ADVERTISING - InTRAC has a policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended September 30, 2005 and 2004 was \$97,630 and \$85,981, respectively.

REVENUE - InTRAC's main source of funding is a surcharge levied monthly by LEC's on all business and residential telephone access lines. The surcharge was \$0.06 per access line until April 1, 2005, when it decreased to \$0.03 per access line.

In addition, InTRAC has contracted with most of the wireless telephone companies to provide relay service. These contracts call for wireless customers to be assessed a surcharge equal to the surcharge assessed to LEC customers.

INCOME TAXES - InTRAC is exempt from taxation under Section 501(c)(4) of the Internal Revenue Code. Accordingly, no provision is made for federal income taxes on the Organization's exempt activities.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
NOTES TO FINANCIAL STATEMENTS CONTINUED
September 30, 2005 and 2004**

NOTE B - CONTRACTS AND COMMITMENTS

InTRAC contracts with an independent contractor (Sprint) to provide all of the relay service, based on a per-minute charge. A contract was signed in October 2002, which will provide relay services through October 31, 2007.

InTRAC also contracts with an independent contractor, Harris Communications, Inc., to purchase equipment sets for the use by hearing and speech impaired residents of Indiana. A contract was signed April 1, 2005 and extends until March 31, 2006.

InTRAC has committed to purchasing advertising from various media companies through February 2005 in the amount of \$23,645 and \$44,244 for 2005 and 2004, respectively.

NOTE C - INVESTMENTS

InTRAC's investments were comprised of the following at September 30, 2005:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Schwab Cash and Money Market Funds	\$ 785,330	\$ 785,330	\$ 785,330
Total Investments - money funds	785,330	785,330	785,330
Life insurance and annuities	1,400,000	1,453,115	1,453,115
U.S. Government obligations	1,614,396	1,593,750	1,593,750
Corporate obligations	2,164,687	2,146,725	2,146,725
CMOs and Asset-Backed Securities	616,617	603,346	603,346
Bond funds	95,244	89,367	89,367
Equity funds	511,614	557,808	557,808
Municipal bonds	<u>300,034</u>	<u>297,080</u>	<u>297,080</u>
Total Investments - other	<u>6,702,592</u>	<u>6,741,191</u>	<u>6,741,191</u>
Total	<u>\$7,487,922</u>	<u>\$7,526,521</u>	<u>\$7,526,521</u>

INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
NOTES TO FINANCIAL STATEMENTS CONTINUED
September 30, 2005 and 2004

NOTE C - CONTINUED

InTRAC's investments were comprised of the following at September 30, 2004:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Schwab Cash and Money Market Funds	\$ 696,917	\$ 696,917	\$ 696,917
Schwab Value Advantage	<u>1,296,000</u>	<u>1,296,000</u>	<u>1,296,000</u>
Total Investments - money funds	1,992,917	1,992,917	1,992,917
Life insurance and annuities	700,000	703,054	703,054
U.S. Government obligations	2,136,248	2,138,907	2,138,907
Corporate obligations	1,988,472	1,999,540	1,999,540
CMOs and Asset-Backed Securities	552,842	549,204	549,204
Bond funds	44,312	41,591	41,591
Equity funds	<u>204,362</u>	<u>207,507</u>	<u>207,507</u>
Total Investments - other	<u>5,626,236</u>	<u>5,639,803</u>	<u>5,639,803</u>
Total	<u>\$7,619,153</u>	<u>\$7,632,720</u>	<u>\$7,632,720</u>

Investment income consisted of the following at September 30:

	<u>2005</u>	<u>2004</u>
Realized gain (loss) on investments	\$ 6,532	\$ (4,191)
Unrealized loss on investments	(33,362)	(89,148)
Dividend and interest income	<u>244,790</u>	<u>163,501</u>
	<u>\$ 217,960</u>	<u>\$ 70,162</u>

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
NOTES TO FINANCIAL STATEMENTS CONTINUED
September 30, 2005 and 2004**

NOTE D - LEASES

InTRAC entered into a lease agreement on November 1, 2002 for administrative office space, expiring on October 31, 2007. Total office rent expense for the years ended September 30, 2005 and 2004 was \$30,905 and \$32,928, respectively. Future minimum lease rentals for years ending September 30 are as follows:

<u>Years Ending</u>	<u>Amount</u>
2006	\$ 31,001
2007	31,788
2008	<u>2,654</u>
	<u>\$ 65,443</u>

InTRAC sublets a portion of its leased facility to Sprint Communications Company, L.P. on a month-to-month basis.

NOTE E - PENSION PLAN

InTRAC adopted a 403(b) retirement plan covering all eligible employees. The contribution made by InTRAC is in the amount of 10 percent of the employee's salary. Retirement plan expense was \$5,074 and \$7,742 for the years ended September 30, 2005 and 2004, respectively.